

# **Tobin & Co.**

Peninsula Township

Grand Traverse County, Michigan

Audit Report

For the Year Ended March 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Peninsula Township</b>	County <b>Grand Traverse</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>9/18/06</b>	Date Accountant Report Submitted to State: <b>9/30/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

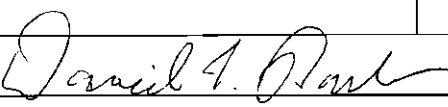
- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).	<input checked="" type="checkbox"/>		
Single Audit Reports (ASL GU).	<input checked="" type="checkbox"/>		

**TOBIN & CO., P.C.**  
400 E. EIGHTH ST.

**TRAVERSE CITY, MI 49686-2668**

Certified Public Accountant (Firm Name) <b>231-947-0151</b>			
Street Address	City	State	ZIP
Accountant Signature 	Date <b>9-29-06</b>		

# Tobin & Co.

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## INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Peninsula Township, Grand Traverse County, for the year ended March 31, 2006 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Peninsula Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

Your present Clerk, Treasurer and Deputies maintain receipts journals, disbursements journals, general ledgers and account books prescribed in the Uniform Accounting Procedures developed by the State Department of Treasury. These records were well maintained. In a separate management letter we have addressed accounting records matters which came to our attention and recommended steps to address these matters. Comments and recommendations regarding items other than the accounting records themselves are as follows:

### Budgets and Procedures

The required budgets were prepared for the General Fund and Special Revenue Funds. It appears certain cost center budgets for these funds were not amended prior to authorization to expend over and above the original budget amounts. See Note 2 of the notes to the financial statements.

### General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance increased by \$3,759 from the prior year and totaled \$398,736 at March 31, 2006.

### Governmental Funds

#### Fire Fund

This fund, presented on Schedule 2, is used to account for the special voted tax levy for Township fire protection. Revenues consisted principally of property taxes of \$448,899 and earned interest of \$10,689. Expenditures were \$546,284. The fund balance at March 31, 2006 was \$457,316.

#### Purchase of Development Rights Fund

This fund, presented in Schedule 3, is used to account for a special voted tax levy for the purchase of development rights. Revenues consisted of property taxes of \$849,427, federal grants of \$800,250, and earned interest of \$78,637. Expenses consisted principally of the purchase of development rights and debt service. In addition, net bond proceeds of \$4,919,116 were received, and a transfer of \$315,000 was made to a debt service fund for the payment of installment contracts.

### Non-major Governmental Funds

Non-major governmental funds balance sheets and revenue and expenditures statements are presented in Schedules 4 through 14.

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## Comments and Recommendations

### Proprietary/Enterprise Funds

The Tower, Sewer, and Water Funds are major funds, while the Compactor Station Fund is non-major. These funds are presented on pages 17, 18, and 19. Principally all revenues come from service users or lessees by way of fees, rents and special assessments. All funds had positive net assets at September 18, 2006.

### Property Tax Collections

The collection and distribution of the 2005 tax levy was handled by the Township Treasurer. Paid receipts were filed in order of payment. Deposits were made timely and intact. Distributions to taxing units during the collection period were in accordance with statutory requirements.

See Schedule 15 for a summary of the 2005 tax levy and collections.

### Payroll Procedures

The Clerk maintains required payroll records. Payroll withholdings were promptly remitted to various agencies and required reports were properly prepared. It appears that Forms W-2 and/or 1099 were properly utilized.

### Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, workmen's compensation, equipment and crime coverage. Records indicate that coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies, as well as the Supervisor, have surety bond coverage. There is also a blanket bond covering all employees.

### Other Data

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiners in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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## FINANCIAL SECTION

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## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Peninsula Township  
Grand Traverse County  
Traverse City, Michigan 49686

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peninsula Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Peninsula Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

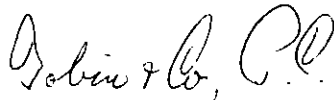
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peninsula Township as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2006, on our consideration of Peninsula Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 11 and 39 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Peninsula Township's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Peninsula Township. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
Certified Public Accountants  
September 18, 2006



# **Tobin & Co.**

## **Peninsula Township Management Discussion and Analysis Letter**

As the Township Board of the Peninsula Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Peninsula Township for the fiscal year ended March 31, 2006.

### **Financial Highlights**

The assets of Peninsula Township exceeded its liabilities at the close of the most recent fiscal year by \$10,980,222. Of this amount, \$10,204,089 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$7,770,698, an increase of \$2,408,534 in comparison with the prior year. Approximately ninety-eight percent of the total amount, \$7,585,460, is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$398,736, or forty-nine percent of total general fund expenditures.

The Township's total long-term debt increased by \$4,492,945, or 46 percent, during the current fiscal year. The key factor in this increase was additional purchase of development rights bonding.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Peninsula Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include: general government, public safety, purchase of development rights, and recreation. The business-type activities of the Township include tower rental, sewer and water systems, and sanitation services.

The government-wide financial statements can be found on pages 12 and 13 of this report.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Peninsula Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Peninsula Township maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Purchase of Development Rights Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund, special revenue funds, and debt service funds. Budgetary comparison statements have been provided for the general fund and other governmental funds to demonstrate compliance with this budget.

**Proprietary funds:** Peninsula Township maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its tower rental, water and sewer, and compactor station activities.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 29 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Peninsula Township, assets exceeded liabilities by \$10,980,222 at the close of the most recent fiscal year.

Five percent of the Township's net assets reflect its investment in capital assets such as development rights, land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Township's Net Assets					
	Governmental Activities	2005-2006 Business-Type Activities	Total	Governmental Activities	2004-2005 Business-Type Activities	Total
Current and Other Assets	\$ 7,830,809	\$ 2,715,307	\$ 10,546,116	\$ 5,449,174	\$ 2,913,159	\$ 8,362,333
Capital Assets	<u>9,870,891</u>	<u>4,913,361</u>	<u>14,784,252</u>	<u>6,222,709</u>	<u>5,035,651</u>	<u>11,258,360</u>
Total Assets	<u>\$ 17,701,700</u>	<u>\$ 7,628,668</u>	<u>\$ 25,330,368</u>	<u>\$ 11,671,883</u>	<u>\$ 7,948,810</u>	<u>\$ 19,620,693</u>
Long-term Liabilities	\$ 11,028,748	\$ 3,194,751	\$ 14,223,499	\$ 6,275,710	\$ 3,454,844	\$ 9,730,554
Other Liabilities	<u>60,120</u>	<u>66,527</u>	<u>126,647</u>	<u>230,240</u>	<u>281,657</u>	<u>511,897</u>
Total Liabilities	<u>\$ 11,088,868</u>	<u>\$ 3,261,278</u>	<u>\$ 14,350,146</u>	<u>\$ 6,505,950</u>	<u>\$ 3,736,501</u>	<u>\$ 10,242,451</u>
Net Assets:						
Invested in Capital Assets	\$ (1,157,857)	\$ 1,748,761	\$ 590,904	\$ (196,830)	\$ 1,843,880	\$ 1,647,050
Restricted	185,229	-	185,229	22,996	-	22,996
Unrestricted	<u>7,585,460</u>	<u>2,618,629</u>	<u>10,204,089</u>	<u>5,339,767</u>	<u>2,368,429</u>	<u>7,708,196</u>
Total Net Assets	<u>\$ 6,612,832</u>	<u>\$ 4,367,390</u>	<u>\$ 10,980,222</u>	<u>\$ 5,165,933</u>	<u>\$ 4,212,309</u>	<u>\$ 9,378,242</u>

An additional portion of the Township's net assets, approximately two percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$10,204,089 may be used to meet the Township's ongoing obligations to citizens and creditors.

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At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the Township's net assets by \$1,381,771, accounting for ninety percent of the total growth in the net assets of the Township. Key elements of this increase are as follows: purchase of development rights and sound management tools.

	Governmental Activities	2005-2006 Business-Type Activities	Total	Governmental Activities	2004-2005 Business-Type Activities	Total
<b>Program Revenues</b>						
Charges for Services	\$ 33,559	\$ 598,906	\$ 632,465	\$ -	\$ 372,798	\$ 372,798
Operating Grants and Contributions	814,514	-	814,514	373,978	-	373,978
Capital Grants and Contributions	-	-	-	3,150	90,000	93,150
<b>General Revenues</b>						
Taxes	1,608,469	-	1,608,469	1,597,258	-	1,597,258
State Shared Revenues	359,864	-	359,864	-	-	-
Franchise Fees	111,848	-	111,848	-	-	-
Unrestricted Investments						
Earnings	136,514	27,272	163,786	63,156	77,100	140,256
Miscellaneous	9,138	-	9,138	1,207,175	3,269	1,210,444
<b>Total Revenues</b>	<b>3,073,906</b>	<b>626,178</b>	<b>3,700,084</b>	<b>3,244,717</b>	<b>543,167</b>	<b>3,787,884</b>
<b>Program Expenses</b>						
Legislative	50,412	-	50,412	-	-	-
General Government	658,355	10,622	668,977	984,815	20,427	1,005,242
Public Safety	558,142	-	558,142	287,692	-	287,692
Public Works	20,925	460,476	481,401	4,438	473,687	478,125
Recreation and Cultural	96,215	-	96,215	11,330	-	11,330
Interest on Long-term Debt	308,086	-	308,086	208,407	-	208,407
<b>Total Expenses</b>	<b>1,692,135</b>	<b>471,098</b>	<b>2,163,233</b>	<b>1,496,682</b>	<b>494,114</b>	<b>1,990,796</b>
<b>Change in Net Assets</b>	<b>\$ 1,381,771</b>	<b>\$ 155,080</b>	<b>\$ 1,536,851</b>	<b>\$ 1,748,035</b>	<b>\$ 49,053</b>	<b>\$ 1,797,088</b>

Business-type activities: Business-type activities increased the Township's net assets by \$155,080, accounting for ten percent of the total growth in the Township's net assets. Key elements of this increase are as follows:

### Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$7,770,689, an increase of \$2,408,534 in comparison with the prior year.

Approximately ninety-eight percent of the total amount, \$7,585,460, constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$398,736. Unreserved fund balance represents forty-nine percent of total general fund expenditures. The fund balance of the Township's general fund increased by \$3,759 during the current fiscal year. Key factors were as follows:

Proprietary funds: The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

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Unrestricted net assets of the Enterprise Funds at the end of the year amounted to \$2,618,629. The total growth in net assets was \$155,080. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

## **Capital Asset and Debt Administration**

Capital assets: The Township's investment in capital assets for its governmental and business type activities as of March 31, 2006, amounts to \$14,784,252 (net of accumulated depreciation). This investment in capital assets includes: (land, purchase of development rights, building and improvements, sewer and water systems, machinery and equipment, park facilities, etc). The total increase in the Township's investment in capital assets for the current fiscal year was thirty-one percent.

Major capital asset events during the current fiscal year included the following:

Details of the Township's capital assets are contained in the notes to the financial statements on page 24.

Long-term debt: At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$14,223,499. This debt is backed by the full faith and credit of the government.

Additional information on the Township's long-term debt can be found in the notes on pages 25 through 27.

## **Economic Factors and Next Year's Budgets**

Peninsula Township is in the beginning stages of a water system upgrade. Preliminary estimates for building a water storage tank to expend and improve the current water system are in progress. Financing for this project is expected to come from the State of Michigan Drinking Water Revolving Fund.

Peninsula Township currently has lawsuits pending. A zoning enforcement action is expected to have little or no economic impact on the Township, while the possible economic impact of a retirement health insurance suit is undetermined at this time.

Peninsula Township anticipates no major changes in next year's budgets.

## **Requests for Information**

This financial report is designed to provide a general overview of Peninsula Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David K. Weatherholt, Peninsula Township Treasurer, 13235 Center Road, Traverse City, MI 49686.

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## Peninsula Township Statement of Net Assets March 31, 2006

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 7,666,244	\$ 922,004	\$ 8,588,248
Accounts Receivable	20,228	123,669	143,897
Taxes Receivable -- Current	57,351	-	57,351
Special Assessments Receivable	-	1,568,169	1,568,169
Due from State	59,871	-	59,871
Due from Other Activities	-	69,628	69,628
Prepaid Expenditures	27,115	1,686	28,801
Capital Assets:			
Land	8,530,648	5,689	8,536,337
Other Capital Assets, Net of Depreciation	1,340,243	4,907,672	6,247,915
Intangible Assets, Net of Amortization	<u>-</u>	<u>30,151</u>	<u>30,151</u>
Total Assets	<u>17,701,700</u>	<u>7,628,668</u>	<u>25,330,368</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	16,929	66,527	83,456
Due to Other Activities	43,191	-	43,191
Long-term Liabilities, Net of Discounts:			
Due Within One Year	288,308	278,540	566,848
Due in More Than One Year	<u>10,740,440</u>	<u>2,916,211</u>	<u>13,656,651</u>
Total Liabilities	<u>11,088,868</u>	<u>3,261,278</u>	<u>14,350,146</u>
<u>Net Assets</u>			
Invested in Capital Assets and Intangible Assets, Net of Related Debt	(1,157,857)	1,748,761	590,904
Restricted	185,229	-	185,229
Unrestricted	<u>7,585,460</u>	<u>2,618,629</u>	<u>10,204,089</u>
Total Net Assets	<u>\$ 6,612,832</u>	<u>\$ 4,367,390</u>	<u>\$10,980,222</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Township Statement of Activities March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Total
		Fees and Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Legislative	\$ 50,412	\$ -	\$ -	\$ (50,412)	\$ -	\$ (50,412)
General Government	658,355	33,559	814,514	189,718	-	189,718
Public Safety	558,142	-	-	(558,142)	-	(558,142)
Public Works	20,925	-	-	(20,925)	-	(20,925)
Recreation and Cultural	96,215	-	-	(96,215)	-	(96,215)
Interest on Long-term Debt	<u>308,086</u>	-	-	<u>(308,086)</u>	-	<u>(308,086)</u>
Total Governmental Activities	<u>1,692,135</u>	<u>33,559</u>	<u>814,514</u>	<u>(844,062)</u>	-	<u>(844,062)</u>
Business-type Activities:						
Tower Lease	10,622	44,550	-	-	33,928	33,928
Sewer and Water	406,532	501,960	-	-	95,428	95,428
Compactor Station	<u>53,944</u>	<u>52,396</u>	-	-	<u>(1,548)</u>	<u>(1,548)</u>
Total Business-type Activities	<u>471,098</u>	<u>598,906</u>	-	-	<u>127,808</u>	<u>127,808</u>
Total	<u>\$ 2,163,233</u>	<u>\$ 632,465</u>	<u>\$ 814,514</u>	<u>(844,062)</u>	<u>127,808</u>	<u>(716,254)</u>
General Revenues:						
Taxes				1,608,469	-	1,608,469
State Shared Revenues				359,864	-	359,864
Franchise Fees				111,848	-	111,848
Investment Earnings				136,514	27,272	163,786
Miscellaneous				<u>9,138</u>	<u>-</u>	<u>9,138</u>
Total General Revenues				<u>2,225,833</u>	<u>27,272</u>	<u>2,253,105</u>
Change in Net Assets				1,381,771	155,080	1,536,851
Net Assets – Beginning				<u>5,231,061</u>	<u>4,212,310</u>	<u>9,443,371</u>
Net Assets – Ending				<u>\$ 6,612,832</u>	<u>\$ 4,367,390</u>	<u>\$10,980,222</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Township Balance Sheet Governmental Funds March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Purchase of Development Rights</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 240,991	\$ 532,648	\$ 6,609,574	\$ 283,031	\$ 7,666,244
Accounts Receivable	3,786	-	-	16,442	20,228
Taxes Receivable – Current	10,501	15,450	31,400	-	57,351
Due from State	59,871	-	-	-	59,871
Due from Other Funds	104,412	293	56,726	30,843	192,274
Prepaid Expenditures	<u>24,321</u>	<u>2,361</u>	<u>22</u>	<u>411</u>	<u>27,115</u>
Total	<u>\$ 443,882</u>	<u>\$ 550,752</u>	<u>\$ 6,697,722</u>	<u>\$ 330,727</u>	<u>8,023,083</u>
<u>Liabilities and Fund Equity</u>					
<u>Liabilities:</u>					
Accounts Payable	5,256	571	11,047	55	16,929
Due to Other Funds	<u>39,890</u>	<u>92,865</u>	<u>-</u>	<u>102,710</u>	<u>235,465</u>
Total	<u>45,146</u>	<u>93,436</u>	<u>11,047</u>	<u>102,765</u>	<u>252,394</u>
<u>Fund Equity:</u>					
Fund Balance – Reserved	-	113,617	50,162	21,450	185,229
Fund Balance – Unreserved	<u>398,736</u>	<u>343,699</u>	<u>6,636,513</u>	<u>206,512</u>	<u>7,585,460</u>
Total	<u>398,736</u>	<u>457,316</u>	<u>6,686,675</u>	<u>227,962</u>	<u>7,770,689</u>
Total Liabilities and Fund Equity	<u>\$ 443,882</u>	<u>\$ 550,752</u>	<u>\$ 6,697,722</u>	<u>\$ 330,727</u>	
Amounts reported for governmental activities on the statement of net assets are different because:					
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.					9,870,891
Long-term liabilities do not use current financial resources and therefore are not reported in the funds.					(11,028,748)
Net assets of governmental activities.					<u>\$ 6,612,832</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2006

	General	Fire	Purchase of Development Rights	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 310,143	\$ 448,899	\$ 849,427	\$ -	\$ 1,608,469
Licenses and Permits	14,430	-	-	-	14,430
Federal Grants	14,264	-	800,250	-	814,514
State Grants	359,864	-	-	-	359,864
Charges for Services	933	-	-	18,196	19,129
Interest and Rents	34,957	10,689	78,637	12,231	136,514
Other	1,809	5,236	-	113,941	120,986
Total	<u>736,400</u>	<u>464,824</u>	<u>1,728,314</u>	<u>144,368</u>	<u>3,073,906</u>
<u>Expenditures</u>					
Legislative	48,861	-	-	-	48,861
General Government	339,460	-	53,265	48,311	441,036
Public Safety	119,232	286,217	-	62,972	468,421
Public Works	-	-	-	20,925	20,925
Recreation and Culture	81,817	-	-	12,214	94,031
Other	214,007	-	-	-	214,007
Capital Outlay	14,264	260,017	3,468,668	5,000	3,747,949
Debt Service	-	-	234,025	315,233	549,258
Total	<u>817,641</u>	<u>546,234</u>	<u>3,755,958</u>	<u>464,655</u>	<u>5,584,488</u>
<u>Excess Revenues (Expenditures)</u>	<u>(81,241)</u>	<u>(81,410)</u>	<u>(2,027,644)</u>	<u>(320,287)</u>	<u>(2,510,582)</u>
<u>Other Financing Sources (Uses)</u>					
Bond Proceeds	-	-	4,965,000	-	4,965,000
Bond Premium	-	-	23,023	-	23,023
Bond Origination Costs	-	-	(68,907)	-	(68,907)
Operating Transfers In	85,000	-	-	321,000	406,000
Operating Transfers (Out)	-	-	(316,000)	(90,000)	(406,000)
Total	<u>85,000</u>	<u>-</u>	<u>4,603,116</u>	<u>231,000</u>	<u>4,919,116</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>3,759</u>	<u>(81,410)</u>	<u>2,575,472</u>	<u>(89,287)</u>	<u>2,408,534</u>
Fund Balance – Beginning of Year	<u>394,977</u>	<u>538,726</u>	<u>4,111,203</u>	<u>317,249</u>	
Fund Balance – End of Year	<u>\$ 398,736</u>	<u>\$ 457,316</u>	<u>\$ 6,686,675</u>	<u>\$ 227,962</u>	

Amounts reported for governmental activities on the statement of activities are different because:

Bond proceeds are recorded as revenues in the governmental funds but as a liability in the statement of net assets. (4,919,116)

Capital outlays are recorded as expenditures in the governmental funds, however, their costs are allocated through depreciation in the statement of activities. This is the amount by which capital outlays exceeded depreciation during the audit year. 3,651,181

Repayment of long-term debt is an expenditure in the governmental funds, however reduces liabilities in the statement of net assets and does not affect the statement of activities. 241,172

Change in net assets of governmental activities. \$ 1,381,771

See Accompanying Notes to Basic Financial Statements



# Tobin & Co.

## Peninsula Township Statement of Net Assets Proprietary Funds – All Enterprise Funds March 31, 2006

	<u>Major Funds</u>			<u>Compactor Station Fund</u>	<u>Total</u>
	<u>Tower Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>		
<u>Assets</u>					
Cash in Bank	\$ 127,983	\$ 310,934	\$ 286,522	\$ -	\$ 725,439
Petty Cash	-	-	-	75	75
Cash with Fiscal Agent	-	104,610	91,880	-	196,490
Accounts Receivable	-	109,401	14,268	-	123,669
Prepaid Expenses	-	-	-	1,686	1,686
Special Assessments Receivable	-	833,846	734,323	-	1,568,169
Due from Other Activities	-	64,008	201,209	-	265,217
Capital Assets:					
Land	-	-	-	5,689	5,689
Other Capital Assets, Net of Depreciation	179,727	2,736,203	1,991,667	75	4,907,672
Intangible Asset, Net of Amortization	-	5,770	1,750	-	7,520
Unearned Long-term Lease Income	<u>22,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,631</u>
Total Assets	<u>330,341</u>	<u>4,164,772</u>	<u>3,321,619</u>	<u>7,525</u>	<u>7,824,257</u>
<u>Liabilities and Net Assets</u>					
Liabilities:					
Accounts Payable	14,280	70	-	1,115	15,465
Due to Other Activities	-	140,561	55,028	-	195,589
Accrued Interest	-	23,720	27,342	-	51,062
Long-term Liabilities, Net of Discounts:					
Due Within One Year	9,489	179,914	89,137	-	278,540
Due in More Than One Year	<u>123,181</u>	<u>1,470,544</u>	<u>1,322,486</u>	<u>-</u>	<u>2,916,211</u>
Total Liabilities	<u>146,950</u>	<u>1,814,809</u>	<u>1,493,993</u>	<u>-</u>	<u>3,456,867</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	69,688	1,091,515	581,794	5,764	1,748,761
Unrestricted	<u>113,703</u>	<u>1,258,448</u>	<u>1,245,832</u>	<u>646</u>	<u>2,618,629</u>
Total Net Assets	<u>\$ 183,391</u>	<u>\$ 2,349,963</u>	<u>\$ 1,827,626</u>	<u>\$ 6,410</u>	<u>\$ 4,367,390</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Township Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds – All Enterprise Funds For the Year Ended March 31, 2006

	Major Funds			Compactor Station Fund	Total
	Tower Fund	Sewer Fund	Water Fund		
<u>Operating Revenues</u>					
Charges for Services:					
Fees	\$ -	\$ 264,394	\$ 154,173	\$ 52,396	\$ 470,963
Interest and Rents:					
Rent	44,550	-	-	-	44,550
Other:					
Special Assessments	-	42,445	40,948	-	83,393
Total	44,550	306,839	195,121	52,396	598,906
<u>Operating Expenses</u>					
Wages and Per Diem	-	-	-	12,964	12,964
Payroll Taxes	-	-	-	992	992
Supplies	-	-	-	2,325	2,325
Contractual Services	-	59,830	108,421	31,291	199,542
Communications	-	-	-	326	326
Printing and Publishing	-	-	-	169	169
Insurance	-	-	-	3,171	3,171
Utilities	-	-	-	632	632
Maintenance and Repairs	-	-	-	1,774	1,774
Amortization	-	1,426	777	-	2,203
Depreciation	10,622	68,801	42,567	300	122,290
Other	-	366	430	-	796
Debt Service Interest and Fees	-	60,214	63,700	-	123,914
Total	10,622	190,637	215,895	53,944	471,098
Operating Income (Loss)	33,928	116,202	(20,774)	(1,548)	127,808
<u>Other Income (Expenses)</u>					
Interest Income	6,562	10,780	9,832	98	27,272
Total	6,562	10,780	9,832	98	27,272
Change in net Assets	40,490	126,982	(10,942)	(1,450)	155,080
<u>Net Assets – Beginning of Year</u>	142,901	1,695,134	1,425,321	7,860	3,271,216
<u>Prior Period Adjustment</u>	-	527,847	413,247	-	941,094
<u>Net Assets – End of Year</u>	\$ 183,391	\$ 2,349,963	\$ 1,827,626	\$ 6,410	\$ 4,367,390

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Township Statement of Cash Flows Proprietary Funds – All Enterprise Funds For the Year Ended March 31, 2006

	Major Funds			Compactor Station Fund	Total
	Tower Fund	Sewer Fund	Water Fund		
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 44,550	\$ 270,934	\$ 153,948	\$ 52,396	\$ 521,828
Interest on Special Assessments	-	42,445	40,948	-	83,393
Cash Payments to Employees and Suppliers	-	(77,334)	(145,031)	(52,623)	(274,988)
Interest Paid	-	(75,000)	(48,914)	-	(123,914)
Net Cash Provided (Used) by Operating Activities	<u>44,550</u>	<u>161,045</u>	<u>951</u>	<u>(227)</u>	<u>206,319</u>
Cash Flows from Investing Activities:					
Investment Earnings	<u>6,562</u>	<u>10,780</u>	<u>9,832</u>	<u>98</u>	<u>27,272</u>
Net Cash Provided (Used) by Investing Activities	<u>6,562</u>	<u>10,780</u>	<u>9,832</u>	<u>98</u>	<u>27,272</u>
Cash Flows from Financing Activities:					
Collection of Special Assessments	-	203,450	110,714	-	314,164
Principal Payments on Debt	-	(165,746)	(56,020)	-	(221,766)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>37,704</u>	<u>54,694</u>	<u>-</u>	<u>92,398</u>
Net Increase (Decrease) in Cash	51,112	209,529	65,477	(129)	325,989
Cash – Beginning of Year	<u>76,871</u>	<u>206,015</u>	<u>312,925</u>	<u>204</u>	<u>596,015</u>
Cash – End of Year	<u>\$ 127,983</u>	<u>\$ 415,544</u>	<u>\$ 378,402</u>	<u>\$ 75</u>	<u>\$ 922,004</u>

### Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	\$ 33,928	\$ 116,202	\$ (20,774)	\$ (1,548)	\$ 127,808
Depreciation and Amortization	10,622	70,227	43,344	300	124,493
(Increase) Decrease in Receivables	-	6,540	(225)	-	6,315
(Increase) Decrease in Prepaids	-	-	-	(75)	(75)
Increase (Decrease) in Accounts Payable	-	(17,138)	(36,180)	1,096	(52,222)
Increase (Decrease) in Accrued Interest	-	(14,786)	14,786	-	-
Total	<u>\$ 44,550</u>	<u>\$ 161,045</u>	<u>\$ 951</u>	<u>\$ (227)</u>	<u>\$ 206,319</u>

See Accompanying Notes to Basic Financial Statements

# **Tobin & Co.**

Peninsula Township  
Statement of Fiduciary Net Assets  
March 31, 2006

## Assets

Cash and Investments	\$ 596,700
Total Assets	<u>596,700</u>

## Liabilities

Accounts Payable	2,377
Undistributed Taxes and Interest	17,040
Due to Other Funds	18,131
Due to Retired Employees	189,592
Due to Library	354,251
Escrow Deposits	<u>15,309</u>
Total Liabilities	<u>596,700</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Peninsula Township is a general law township located in Grand Traverse County, Michigan. Population as of the 2000 census was 5,265, and the current taxable valuation of the year of audit was \$454,023,314.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

Sewer and Water System Operations -- The Grand Traverse County Board of Public Works operates, maintains and administers the Township's sewage disposal and water systems. The original construction and subsequent extensions were administered by the County and financed in part through bonds backed by the full faith and credit pledges of the Township.

The County DPW collects all user fees which are remitted to the Township, accounts for direct and allocated operating expenses which are billed to and paid by the Township, remits debt payments and maintains capital project and debt service funds. The Township's administration reviews DPW operations on behalf of the Township, establishes special assessment districts, approves of construction expenditures, collects special assessment levies, which are remitted to the County for debt retirement, and maintains the special assessment rolls.

The arrangements between the County and Township were established to enable more favorable interest rates and borrowing limits and to achieve overall efficiency in operating these public services to the community. The County is acting as an agent for the Township and the Township retains significant control and responsibility over operations of the sewer and water systems.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund -- This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds -- These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Fire Fund is the only major special revenue fund and is for the purpose of providing fire protection for Township residents and their assets.

# **Tobin & Co.**

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Basis of Presentation (Continued)

Debt Service Funds – These funds are used to account for special assessments and other resources to be used for the payment of interest and principal on long-term debt.

Proprietary Funds – These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the statement of net assets.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns or business-type activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer and Water Systems	50 - years
Land Improvements	20 - years
Buildings	40 - years
Building Improvements	25 - years
Towers	25 - years
Vehicles	10 - years
Office Furniture	10 - years
Equipment	5 - years

#### F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

#### G. Prepaid Items

Prepaid balances are for payments made by the Township in the current year to provide services occurring in subsequent fiscal years.

#### H. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating and			
Purchase of Development Rights	\$691,278,049	\$454,023,314	2.5566
Fire Protection	\$686,020,249	\$448,765,514	1.0000

#### I. Special Assessment Revenue

Special Assessment Revenue is recognized in the year of levy. The Township has elected to recognize advance payments of special assessments as revenue upon receipt rather than allocating a portion of such payments to each year's levy.

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2006.
- C. Public Act 621 of 1978, §18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2006, the following activities overexpended their budget without formal Board amendment.

General Fund:	
Executive Activities	\$ 429
Treasurer	\$ 464
Building and Grounds	\$ 1,542
Planner	\$ 1,297
Parks	\$ 1,782
BATA/Senior Center Fund	\$ 1,477
Log Home Maintenance Fund	\$ 4,202
Cable Council Fund	\$ 26,681

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) In repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) In obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.



# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### B. Types of Deposits and Investments

The Township had \$9,090,768 deposited with local financial institutions at March 31, 2006 with a carrying value of \$8,973,156. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$8,832,881 of uninsured deposits at March 31, 2006. In addition, the Township had \$196,490 on deposit through Grand Traverse County. The insured status of these deposits is unknown.

### NOTE 4 - RECEIVABLES

\$59,871 of accounts receivable of governmental activities represent State shared revenues for the audit year received in May 2006.  
\$16,442 of accounts receivable of governmental activities represent cablevision franchise royalties received within 60 days.  
\$123,669 of accounts receivable of business-type activities represents billed but uncollected sewer and water usage fees as of March 31, 2006.  
\$1,358,177 of business-type activities special assessments receivables are not due within one year.

### NOTE 5 - CAPITAL/INTANGIBLE ASSETS

	<u>3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/06</u>
<b>Governmental Activities:</b>				
Land and Development Rights	\$ 5,061,980	\$ 3,468,668	\$ -	\$ 8,530,648
Buildings and Improvements	353,594	-	-	353,594
Vehicles, Furniture and Equipment	<u>1,053,363</u>	<u>276,281</u>	<u>-</u>	<u>1,329,644</u>
Total	6,468,937	3,744,949	-	10,213,886
Less Accumulated Depreciation	<u>(246,228)</u>	<u>(96,767)</u>	<u>-</u>	<u>(342,995)</u>
Capital Assets, Net	<u>\$ 6,222,709</u>	<u>\$ 3,648,182</u>	<u>\$ -</u>	<u>\$ 9,870,891</u>
<b>Business-type Activities:</b>				
Land and Improvements	\$ 12,219	\$ -	\$ -	\$ 12,219
Tower	262,720	-	-	262,720
Equipment	36,800	-	-	36,800
Sewer and Water Projects	5,484,432	193,322	-	5,677,754
Construction In Progress	<u>193,322</u>	<u>-</u>	<u>193,322</u>	<u>-</u>
Total	5,989,493	193,322	193,322	5,989,493
Less Accumulated Depreciation	<u>(953,842)</u>	<u>(122,290)</u>	<u>-</u>	<u>(1,076,132)</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,035,651</u>	<u>\$ 71,032</u>	<u>\$ 193,322</u>	<u>\$ 4,913,361</u>
<b>Intangible Assets:</b>				
Bond Origination Costs	\$ 41,917	\$ -	\$ -	\$ 41,917
Unearned Long-Term Lease	22,631	-	-	22,631
Less Accumulated Amortization	<u>(32,194)</u>	<u>(2,203)</u>	<u>-</u>	<u>(34,397)</u>
Intangible Assets, Net	<u>\$ 32,354</u>	<u>\$ (2,203)</u>	<u>\$ -</u>	<u>\$ 30,151</u>

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 104,412	General Fund	\$ 39,890
Special Revenue Fund	60,541	Special Revenue Fund	160,206
Enterprise Fund	265,217	Enterprise Fund	195,589
Trust and Agency Fund	-	Trust and Agency Fund	26,437
Capital Project Fund	<u>27,321</u>	Capital Project Fund	<u>35,369</u>
Total	<u>\$ 457,491</u>	Total	<u>\$ 457,491</u>

During the audit year the Cable Council Fund transferred \$85,000 to the General Fund and \$5,000 to the Roads Fund. The Purchase of Development Rights Fund transferred \$316,000 to the Debt Service Fund to pay installment contracts.

### NOTE 7 - LONG-TERM DEBT

- A. Listed below are descriptions of the bond issues included in the Township business-type activities. The following schedule includes the bonds issued by the County on behalf of the Township to finance construction and extension of sewer and water systems to be retired through special assessments and usage and connections fees. Also listed below are bond issues and installment notes issued by the Township for purchase of development rights and a communications tower.

Grand Traverse County Sewage Disposal System (Peninsula Township), 1990 Bond Issue dated 8/28/90, original issue amount \$2,157,336, interest rate 1.00%, interest due dates 4/1 and 10/1, principal due date 10/1.

Water Supply (Peninsula Township) 1990 Series Bond Issue dated 8/28/90, original issue amount of \$495,000, interest rates 6.25% - 8.25%, interest due dates 4/1 and 10/1, principal due date 10/1.

Sewage disposal system (Peninsula Township) 1991 Series Bond issue dated 5/1/91, original issue amount \$220,000. Interest rates 5.50% - 7.50%, interest due dates 4/1 and 10/1, principal due date 10/1.

Estimated portion of County Wastewater Treatment Plant 1995 Series Bond issue dated 4/1/95.

Portion of County Wastewater Treatment Plant Upgrade 2002 Series Bond issue dated 7/1/02.

Sewer and Water Projects (Acme, East Bay, and Peninsula Townships), 2003 Series Bond issue, dated 8/1/03, original issue amount \$1,129,290. Interest rates 2.25% - 5.00%, interest due dates 5/1 and 11/1, principal due date 11/1.

Sewer and Water Projects (Garfield and Peninsula Townships), 2004 Series Bond issue, dated 11/1/04, original issue amount \$1,008,000, interest rates 2.00% - 4.375%, interest due dates 5/1 and 11/1, principal due date 11/1.

Estimated contract payable to NPI, \$9,489 per year including interest at prime plus 2%.

Bonds payable for purchase of development rights, 2004 Series Bond issue dated 12/7/04, original issue amount \$5,000,000, interest rates 2.50% - 4.35%, interest due dates 5/1 and 11/1, principal due date 11/1.

Installment contracts payable for purchase of development rights, various origination dates, original amounts \$2,567,731, interest rates 5.375% - 5.700%, interest and principal due date 7/1.

Bonds payable for purchase of development rights, 2005 Series Bond issue dated 12/19/05, original issue amount \$4,965,000, interest rates 3.75% - 4.05%, interest due dates 5/1 and 11/1, principal due date 11/1.

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 7 - LONG-TERM DEBT (Continued)

B. Changes in long-term debt are scheduled below:

#### Business Type Activities

	<u>Balance</u> <u>4/01/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>3/31/06</u>
Bonds Payable:				
Grand Traverse County Sewage Disposal System (Peninsula Twp) 1990 Bonds	\$ 710,000	\$ -	\$ 125,000	\$ 585,000
Water Supply (Peninsula Twp) Bonds Series 1990	140,000	-	35,000	105,000
Sewage Disposal System (Peninsula Twp) Bond Series 1991	85,000	-	15,000	70,000
County Wastewater Treatment Plant Bond Series 1995 (Peninsula Twp. estimated portion)	41,374	-	3,188	38,186
County Wastewater Treatment Plant Bond Series 2002 (Peninsula Twp. estimated portion)	250,367	-	10,047	240,320
Sewer and Water Projects Bond Series 2003 (Peninsula Twp. portion)	1,087,433	-	41,857	1,045,576
Sewer and Water Projects Bond Series 2004 (Peninsula Twp. portion)	1,008,000	-	30,000	978,000
NPI Contract Payable	<u>132,670</u>	<u>-</u>	<u>-</u>	<u>132,670</u>
	<u>\$ 3,454,844</u>	<u>\$ -</u>	<u>\$ 260,092</u>	<u>\$ 3,194,752</u>

#### Governmental Activities

	<u>Balance</u> <u>4/01/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>3/31/06</u>
Long-term Debt:				
Purchase of Development Rights Bond Series 2004	\$ 5,000,000	\$ -	\$ 40,000	\$ 4,960,000
Purchase of Development Rights Installment Contracts	1,344,920	-	241,172	1,103,748
Purchase of Development Rights Bond Series 2005	<u>-</u>	<u>4,965,000</u>	<u>-</u>	<u>4,965,000</u>
	<u>\$ 6,344,920</u>	<u>\$ 4,965,000</u>	<u>\$ 281,172</u>	<u>\$11,028,748</u>

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 7 - LONG-TERM DEBT (Continued)

C. Debt service requirements to maturity:

<u>Years Ending</u> <u>March 31,</u>	<u>Enterprise Fund</u> <u>Sewage Disposal and</u> <u>Water System Bonds</u>		<u>Governmental Activities</u> <u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 278,540	\$ 128,614	\$ 288,308	\$ 425,824
2008	278,745	119,378	313,439	437,089
2009	304,343	109,982	343,209	421,082
2010	269,548	99,715	403,792	403,848
2011	174,743	91,415	410,000	384,258
2012	120,547	85,366	455,000	369,545
2013	121,367	80,240	500,000	352,545
2014	126,750	74,940	550,000	333,195
2015	127,365	69,411	605,000	311,545
2016	132,953	63,814	665,000	287,720
2017	128,057	57,930	720,000	261,932
2018	147,858	51,969	785,000	234,583
2019	148,678	45,149	850,000	204,183
2020	153,508	38,184	920,000	170,638
2021	145,015	30,825	995,000	133,657
2022	150,021	24,269	1,070,000	92,683
2023	158,023	17,415	1,155,000	48,351
2024	153,690	10,478	-	-
2025	75,000	3,281	-	-
	<u>\$ 3,194,751</u>	<u>\$ 1,202,375</u>	<u>\$11,028,748</u>	<u>\$ 4,872,678</u>

### NOTE 8 - RESERVED FUND BALANCE

Reserved fund balance of \$185,222 in the Governmental Funds represents \$113,617 for fire equipment, \$50,162 for purchase of development rights legal expenses and \$21,450 for cemetery perpetual care. Since these assets are not available for appropriation and expenditures at the balance sheet date, they are segregated in the financial statements presentation.

### NOTE 9 - RETIREMENT PLAN

The Township participates in a defined contribution pension plan for Michigan Township employees under contract with the John Hancock Life Insurance Company. Listed below is a summary of the significant plan provisions adopted by Board resolutions.

#### A. Eligibility Requirements

1. Attained age of 18.
2. All elected officials and full-time non-seasonal employees.

#### B. Contributions

1. 13% of annual compensation funded entirely by the Township on an annual basis.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 100% of required annual contribution.
4. Eligible employees may make voluntary contributions through payroll withholdings in amounts ranging from one to ten percent of compensation.

#### C. Vesting

1. Contributions are vested to the employee after 20 months of service at 100%.

# **Tobin & Co.**

Peninsula Township  
Notes to Financial Statements  
March 31, 2006

**NOTE 9 - RETIREMENT PLAN (Continued)**

**D. Plan Administration**

I. The plan is administered by the Township Clerk.

During the audit year, the total contribution for the plan year was \$51,531. Covered payroll for the year was \$396,395 with total payroll for all employees of \$533,488. The plan was funded at the required contribution amount.

**NOTE 10- INVENTORIES**

Peninsula Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expense at the time of purchase.

**NOTE 11- COMPENSATED ABSENCES**

The Township's policy is to grant employees 5 leave days per year and employees are not allowed to carryover days to the next year. Consequently, there is no liability for accumulated unpaid leave.

Employees earn vacation leave benefits on their anniversary date, the amount of which is dependent on their length of employment. Benefits must be used within one year and cannot be carried over. Accordingly, all accrued vacation is recorded as a current liability in the applicable funds.

**NOTE 12- CONTINGENT LIABILITIES**

Township management is aware of no contingent liabilities on the part of the Township.

**NOTE 13- JOINT VENTURE**

Peninsula Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2010 and supplemented July 1, 1993, August 13, 1998, and March 31, 2003 with the City of Traverse City, the Townships of Garfield, East Bay, and Acme in Grand Traverse County, the Township of Elmwood in Leelanau County and with Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the Wastewater Treatment Plant. Grand Traverse County is the owner of the Treatment Plant and the City of Traverse City is the owner of all the multi-user facilities. Ownership of the Treatment Plant will revert to the City of Traverse City when certain bonds issued by the Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit of itself and the Townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise the Townships as to the Treatment Plant's operations and the Townships shall have the right to comment on all matters connected with the administration of the plant. Prior to June 30, the City of Traverse City shall submit a proposed budget for the operations of the Treatment Plant for the year commencing July 1. The Townships have thirty days in which to comment on the proposed budget.

# Tobin & Co.

## Peninsula Township Notes to Financial Statements March 31, 2006

### NOTE 13- JOINT VENTURE (Continued)

Each of the parties of the agreement is entitled to make use of a portion of the Treatment Plant's capacity as follows:

<u>Party</u>	<u>Capacity Right</u>
City of Traverse City	62.45%
Garfield Township	14.37
East Bay Township	11.24
Elmwood Township	4.70
Acme Township	4.37
Peninsula Township	<u>2.87</u>
	<u>100%</u>

Each participant in the joint venture pays an amount sufficient to cover their pro rata share of the treatment plant costs. Each participant's pro rata share is determined by their volume of sewage treated in relation to total sewage treated at the plant.

The Township is also liable for a portion of the Treatment Plant's debt. A portion of the liability is fixed and a portion is determined on a biannual basis based upon the amount of the Township's flows through the Treatment Plant. The estimate of Peninsula Township's portion of Treatment Plant debt is included in long-term debt.

### NOTE 14- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### NOTE 15- PRIOR PERIOD ADJUSTMENTS

Prior period adjustments in the Sewer and Water Funds are the result of errors in the allocation of bonded indebtedness and assets purchased with that indebtedness, the recording of special assessment receivables and the misclassification of capital projects cash held by Grand Traverse County as fiscal agent.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2006

Schedule 1  
Page 1

Revenues	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Current Taxes	\$ 315,000	\$ 315,000	\$ 299,642	\$ (15,358)
Delinquent Taxes	-	-	10,501	10,501
Penalties and Interest on Taxes	4,900	4,900	-	(4,900)
Licenses and Permits:				
Permits and Fees	12,000	12,000	14,430	2,430
Federal Grants:				
Election Equipment	-	-	14,264	14,264
State Grants:				
State Shared Revenues	357,338	357,338	359,864	2,526
Charges for Services:				
Printed Materials	2,500	2,500	933	(1,567)
Interest and Rents:				
Interest	39,000	39,000	33,932	(5,068)
Rents	-	-	1,025	1,025
Other:				
Miscellaneous	-	-	1,809	1,809
Total Revenues	<u>730,738</u>	<u>730,738</u>	<u>736,400</u>	<u>5,662</u>
<u>Expenditures</u>				
Legislative:				
Township Board	<u>48,060</u>	<u>49,960</u>	<u>48,861</u>	<u>1,099</u>
Total Legislative	<u>48,060</u>	<u>49,960</u>	<u>48,861</u>	<u>1,099</u>
General Government:				
Supervisor	40,700	40,700	40,476	224
Executive Activities	50,562	58,362	58,791	(429)
Elections	20,165	15,415	11,785	3,630
Assessing	66,745	66,745	65,539	1,206
Clerk	65,185	65,185	63,592	1,593
Board of Review	4,115	3,115	2,813	302
Treasurer	62,600	62,600	63,064	(464)
Buildings and Grounds	13,175	16,975	18,517	(1,542)
Cemetery	<u>11,625</u>	<u>15,125</u>	<u>14,883</u>	<u>242</u>
Total	<u>334,872</u>	<u>344,222</u>	<u>339,460</u>	<u>4,762</u>
Public Safety:				
Planner	54,230	58,030	59,327	(1,297)
Planning Commission and Zoning Board of Appeals	36,550	36,550	34,008	2,542
Zoning Administrator	<u>24,050</u>	<u>25,650</u>	<u>25,897</u>	<u>(247)</u>
Total	<u>114,830</u>	<u>120,230</u>	<u>119,232</u>	<u>998</u>

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2006

Schedule 1  
Page 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Culture and Recreation:				
Parks	<u>69,235</u>	<u>69,735</u>	<u>71,517</u>	<u>(1,782)</u>
Total	<u>69,235</u>	<u>69,735</u>	<u>71,517</u>	<u>(1,782)</u>
Employee Benefits and Insurance	<u>250,600</u>	<u>250,600</u>	<u>214,007</u>	<u>36,593</u>
Capital Outlay	<u>9,600</u>	<u>24,564</u>	<u>24,564</u>	<u>-</u>
Total Expenditures	<u>827,197</u>	<u>859,311</u>	<u>817,641</u>	<u>41,670</u>
<u>Excess Revenues (Expenditures)</u>	<u>(96,459)</u>	<u>(128,573)</u>	<u>(81,241)</u>	<u>47,332</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (11,459)</u>	<u>\$ (43,573)</u>	<u>3,759</u>	<u>\$ 47,332</u>
Fund Balance -- Beginning of Year			<u>394,977</u>	
Fund Balance -- End of Year			<u>\$ 398,736</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Fire Fund  
For the Year Ended March 31, 2006

Schedule 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	\$ 450,000	\$ 450,000	\$ 433,449	\$ (16,551)
Delinquent Taxes	-	-	15,450	15,450
Interest and Rents:				
Interest	15,000	15,000	10,689	(4,311)
Other:				
Sale of Capital Assets	3,500	3,500	4,501	1,001
Donations	-	-	685	685
Miscellaneous	<u>500</u>	<u>500</u>	<u>50</u>	<u>(450)</u>
Total	<u>469,000</u>	<u>469,000</u>	<u>464,824</u>	<u>(4,176)</u>
<u>Expenditures</u>				
Public Safety	263,000	263,000	214,579	48,421
Employee Benefits and Insurance	60,220	60,220	57,694	2,526
Capital Outlay	<u>42,000</u>	<u>247,127</u>	<u>273,961</u>	<u>(26,834)</u>
Total	<u>365,220</u>	<u>570,347</u>	<u>546,234</u>	<u>24,113</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 103,780</u>	<u><del>\$(1)101,347</del></u>	<u>(81,410)</u>	<u>\$ 19,937</u>
Fund Balance – Beginning of Year			<u>538,726</u>	
Fund Balance – End of Year			<u>\$ 457,316</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Purchase of Development Rights Fund  
For the Year Ended March 31, 2006

Schedule 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	\$ 808,000	\$ 808,000	\$ 818,027	\$ 10,027
Delinquent Taxes	-	-	31,400	31,400
Federal Grants:				
Farm and Ranch Lands Protection	500,000	500,000	800,250	300,250
Interest and Rents:				
Interest	-	-	78,637	78,637
Total	<u>1,308,000</u>	<u>1,308,000</u>	<u>1,728,314</u>	<u>420,314</u>
<u>Expenditures</u>				
General Government	6,174,500	6,174,500	3,521,933	2,652,567
Debt Service	-	-	234,025	(234,025)
Total	<u>6,174,500</u>	<u>6,174,500</u>	<u>3,755,958</u>	<u>2,418,542</u>
<u>Excess Revenues (Expenditures)</u>	<u>(4,866,500)</u>	<u>(4,866,500)</u>	<u>(2,027,644)</u>	<u>2,838,856</u>
<u>Other Financing Sources (Uses)</u>				
Bond Proceeds	4,900,000	4,900,000	4,965,000	65,000
Bond Premium	-	-	23,023	23,023
Bond Origination Costs	-	-	(68,907)	(68,907)
Operating Transfers (Out)	(316,000)	(316,000)	(316,000)	-
Total	<u>4,584,000</u>	<u>4,584,000</u>	<u>4,603,116</u>	<u>19,116</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (282,500)</u>	<u>\$ (282,500)</u>	<u>2,575,472</u>	<u>\$ 2,857,972</u>
Fund Balance – Beginning of Year			<u>4,111,203</u>	
Fund Balance – End of Year			<u>\$ 6,686,675</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Combining Balance Sheet  
Non-Major Governmental Funds  
March 31, 2006

Schedule 4

	Special Revenue				
	Police Fund	Park Improvement Fund	Cemetery Fund	BATA/ Sr. Center Fund	Log Home Maintenance Fund
<u>Assets</u>					
Cash and Cash Equivalents	\$ 52,316	\$ 646	\$ 21,185	\$ 27,059	\$ 1,539
Accounts Receivable	-	-	-	-	-
Due from Other Funds	2,349	-	-	1,173	-
Prepaid Expenses	-	-	28	-	-
Total	<u>\$ 54,665</u>	<u>\$ 646</u>	<u>\$ 21,213</u>	<u>\$ 28,232</u>	<u>\$ 1,539</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts Payable	-	-	-	-	-
Due to Other Funds	<u>7,766</u>	-	-	<u>350</u>	-
Total	<u>7,766</u>	-	-	<u>350</u>	-
Fund Equity:					
Fund Balance – Reserved	-	-	21,450	-	-
Fund Balance – Unreserved	<u>46,899</u>	<u>646</u>	<u>(237)</u>	<u>27,882</u>	<u>1,539</u>
Total	<u>46,899</u>	<u>646</u>	<u>21,213</u>	<u>27,882</u>	<u>1,539</u>
Total Liabilities and Fund Equity	<u>\$ 54,665</u>	<u>\$ 646</u>	<u>\$ 21,213</u>	<u>\$ 28,232</u>	<u>\$ 1,539</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

<u>Summer Tax Collection Fund</u>	<u>Roads Fund</u>	<u>Building Fund</u>	<u>Cable Council Fund</u>	<u>Debt Service PDR Debt Fund</u>	<u>Capital Project Capital Improvement Fund</u>	<u>Total</u>
\$ 53,823	\$ 6,322	\$ 2,121	\$ 98,301	\$ 4,592	\$ 15,127	\$ 283,031
-	-	-	16,442	-	-	16,442
-	-	-	-	-	27,321	30,843
<u>383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411</u>
<u>\$ 54,206</u>	<u>\$ 6,322</u>	<u>\$ 2,121</u>	<u>\$ 114,743</u>	<u>\$ 4,592</u>	<u>\$ 42,448</u>	<u>\$ 330,727</u>
55	-	-	-	-	-	55
<u>25,475</u>	<u>1,900</u>	<u>-</u>	<u>31,850</u>	<u>-</u>	<u>35,369</u>	<u>102,710</u>
<u>25,530</u>	<u>1,900</u>	<u>-</u>	<u>31,850</u>	<u>-</u>	<u>35,369</u>	<u>102,765</u>
-	-	-	-	-	-	21,450
<u>28,676</u>	<u>4,422</u>	<u>2,121</u>	<u>82,893</u>	<u>4,592</u>	<u>7,079</u>	<u>206,512</u>
<u>28,676</u>	<u>4,422</u>	<u>2,121</u>	<u>82,893</u>	<u>4,592</u>	<u>7,079</u>	<u>227,962</u>
<u>\$ 54,206</u>	<u>\$ 6,322</u>	<u>\$ 2,121</u>	<u>\$ 114,743</u>	<u>\$ 4,592</u>	<u>\$ 42,448</u>	<u>\$ 330,727</u>

# Tobin & Co.

Peninsula Township  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
March 31, 2006

Schedule 5

	Special Revenue				
	Police Fund	Park Improvement Fund	Cemetery Fund	BATA/ Sr. Center Fund	Log Home Maintenance Fund
<u>Revenues</u>					
Charges for Services	\$ -	\$ -	\$ 2,700	\$ -	\$ -
Interest and Rents	1,721	-	1,069	2,733	194
Other	-	369	-	-	1,724
Total	1,721	369	3,769	2,733	1,918
<u>Expenditures</u>					
General Government	-	-	4,531	-	-
Public Safety	62,972	-	-	-	-
Public Works	-	-	-	-	-
Recreation and Culture	-	-	-	11,662	552
Capital Outlay	-	-	-	-	5,000
Debt Service	-	-	-	-	-
Total	62,972	-	4,531	11,662	5,552
Excess Revenues (Expenditures)	(61,251)	369	(762)	(8,929)	(3,634)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-
Total	-	-	-	-	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(61,251)	369	(762)	(8,929)	(3,634)
Fund Balance – Beginning of Year	108,150	277	21,975	36,811	5,173
Fund Balance – End of Year	\$ 46,899	\$ 646	\$ 21,213	\$ 27,882	\$ 1,539

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

<u>Summer Tax Collection Fund</u>	<u>Roads Fund</u>	<u>Building Fund</u>	<u>Cable Council Fund</u>	<u>Debt Service PDR Debt Fund</u>	<u>Capital Project Capital Improvement Fund</u>	<u>Total</u>
\$ 15,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,196
2,412	50	8	1,076	2,280	688	12,231
-	-	-	111,848	-	-	113,941
<u>17,908</u>	<u>50</u>	<u>8</u>	<u>112,924</u>	<u>2,280</u>	<u>688</u>	<u>144,368</u>
15,599	-	-	28,181	-	-	48,311
-	-	-	-	-	-	62,972
-	20,925	-	-	-	-	20,925
-	-	-	-	-	-	12,214
-	-	-	-	-	-	5,000
-	-	-	-	315,233	-	315,233
<u>15,599</u>	<u>20,925</u>	<u>-</u>	<u>28,181</u>	<u>315,233</u>	<u>-</u>	<u>464,655</u>
<u>2,309</u>	<u>(20,875)</u>	<u>8</u>	<u>84,743</u>	<u>(312,953)</u>	<u>688</u>	<u>(320,287)</u>
-	5,000	-	-	316,000	-	321,000
-	-	-	(90,000)	-	-	(90,000)
-	5,000	-	(90,000)	316,000	-	231,000
2,309	(15,875)	8	(5,257)	3,047	688	(89,287)
<u>26,367</u>	<u>20,297</u>	<u>2,113</u>	<u>88,150</u>	<u>1,545</u>	<u>6,391</u>	<u>317,249</u>
<u>\$ 28,676</u>	<u>\$ 4,422</u>	<u>\$ 2,121</u>	<u>\$ 82,893</u>	<u>\$ 4,592</u>	<u>\$ 7,079</u>	<u>\$ 227,962</u>

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Police Fund  
For the Year Ended March 31, 2006

Schedule 6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 950	\$ 950	\$ 1,721	\$ 771
Total	950	950	1,721	771
<u>Expenditures</u>				
Public Safety	63,000	63,000	62,972	28
Total	63,000	63,000	62,972	28
<u>Excess Revenues (Expenditures)</u>	(1) \$ (62,050)	\$ (62,050)	(61,251)	\$ 799
Fund Balance – Beginning of Year			108,150	
Fund Balance – End of Year			\$ 46,899	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Park Improvement Fund  
For the Year Ended March 31, 2006

Schedule 7

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Other:				
Miscellaneous	\$ 520	\$ 520	\$ 369	\$ (151)
Total	520	520	369	(151)
<u>Expenditures</u>				
Total	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	\$ 520	\$ 520	369	\$ (151)
Fund Balance – Beginning of Year			277	
Fund Balance – End of Year			\$ 646	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Cemetery Fund  
For the Year Ended March 31, 2006

Schedule 8

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services:				
Lot Sales	\$ 1,000	\$ 1,000	\$ 2,700	\$ 1,700
Interest and Rents:				
Interest	<u>100</u>	<u>100</u>	<u>1,069</u>	<u>969</u>
Total	<u>1,100</u>	<u>1,100</u>	<u>3,769</u>	<u>2,669</u>
<u>Expenditures</u>				
General Government	<u>5,425</u>	<u>5,425</u>	<u>4,531</u>	<u>894</u>
Total	<u>5,425</u>	<u>5,425</u>	<u>4,531</u>	<u>894</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (4,325)</u>	<u>\$ (4,325)</u>	<u>(762)</u>	<u>\$ 3,563</u>
Fund Balance – Beginning of Year			<u>21,975</u>	
Fund Balance – End of Year			<u>\$ 21,213</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
BATA/Senior Center Fund  
For the Year Ended March 31, 2006

Schedule 9

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 500	\$ 500	\$ 2,733	\$ 2,233
Total	500	500	2,733	2,233
<u>Expenditures</u>				
Cultural and Recreation	10,185	10,185	11,662	(1,477)
Total	10,185	10,185	11,662	(1,477)
<u>Excess Revenues (Expenditures)</u>	(1)	\$ (9,685)	(8,929)	\$ 756
Fund Balance – Beginning of Year			36,811	
Fund Balance – End of Year			\$ 27,882	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Log Home Maintenance Fund  
For the Year Ended March 31, 2006

Schedule 10

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 20	\$ 20	\$ 194	\$ 174
Other:				
Donations	<u>1,000</u>	<u>1,000</u>	<u>1,724</u>	<u>724</u>
Total	<u>1,020</u>	<u>1,020</u>	<u>1,918</u>	<u>898</u>
<u>Expenditures</u>				
Cultural and Recreation	1,350	1,350	552	798
Capital Outlay	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Total	<u>1,350</u>	<u>1,350</u>	<u>5,552</u>	<u>(4,202)</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (330)</u>	<u>\$ (330)</u>	(3,634)	<u>\$ (3,304)</u>
Fund Balance – Beginning of Year			<u>5,173</u>	
Fund Balance – End of Year			<u>\$ 1,539</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Summer Tax Collection Fund  
For the Year Ended March 31, 2006

Schedule 11

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Charges for Services;				
Tax Collection	\$ -	\$ -	\$ 15,496	\$ 15,496
Interest and Rents:				
Interest	-	-	2,412	2,412
Total	-	-	17,908	17,908
<u>Expenditures</u>				
General Government	16,055	16,055	14,861	1,194
Employee Benefits and Insurance	975	975	738	237
Total	17,030	17,030	15,599	1,431
<u>Excess Revenues (Expenditures)</u>	(1) \$ (17,030)	\$ (17,030)	2,309	\$ 19,339
Fund Balance -- Beginning of Year			26,367	
Fund Balance -- End of Year			\$ 28,676	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Roads Fund  
For the Year Ended March 31, 2006

Schedule 12

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 1,000	\$ 1,000	\$ 50	\$ (950)
Total	1,000	1,000	50	(950)
<u>Expenditures</u>				
Public Works	24,000	24,000	20,925	3,075
Total	24,000	24,000	20,925	3,075
<u>Excess Revenues (Expenditures)</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>(20,875)</u>	<u>2,125</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	5,000	5,000	5,000	-
Operating Transfers (Out)	-	-	-	-
Total	5,000	5,000	5,000	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (18,000)</u>	<u>\$ (18,000)</u>	<u>(15,875)</u>	<u>\$ 2,125</u>
Fund Balance – Beginning of Year			20,297	
Fund Balance – End of Year			<u>\$ 4,422</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual  
Building Fund  
For the Year Ended March 31, 2006

Schedule 13

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ -	\$ -	\$ 8	\$ 8
Total	-	-	8	8
<u>Expenditures</u>	-	-	-	-
<u>Excess Revenues (Expenditures)</u>	\$ -	\$ -	8	\$ 8
<u>Fund Balance -- Beginning of Year</u>			2.113	
<u>Fund Balance -- End of Year</u>			\$ 2.121	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Cable Council Fund  
For the Year Ended March 31, 2006

Schedule 14

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Interest and Rents:				
Interest	\$ 2,500	\$ 2,500	\$ 1,076	\$ (1,424)
Other:				
Fees	<u>635,000</u>	<u>635,000</u>	<u>111,848</u>	<u>(523,152)</u>
Total	<u>637,500</u>	<u>637,500</u>	<u>112,924</u>	<u>(524,576)</u>
<u>Expenditures</u>				
General Government	<u>1,500</u>	<u>1,500</u>	<u>28,181</u>	<u>(26,681)</u>
Total	<u>1,500</u>	<u>1,500</u>	<u>28,181</u>	<u>(26,681)</u>
<u>Excess Revenues (Expenditures)</u>	<u>636,000</u>	<u>636,000</u>	<u>84,743</u>	<u>(551,257)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Total	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	<u>\$ 546,000</u>	<u>\$ 546,000</u>	<u>(5,257)</u>	<u>\$ (551,257)</u>
Fund Balance – Beginning of Year			<u>88,150</u>	
Fund Balance – End of Year			<u>\$ 82,893</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

## Peninsula Township 2005 Property Tax Levy and Collections For the Year Ended March 31, 2006

Schedule 15

	Millage Rate	Adjusted Levy	Collected	Returned Delinquent
County	(1) 6.2495	\$ 2,842,933	\$ 2,748,201	\$ 94,732
State Education	6.0000	2,722,854	2,661,357	61,497
School District	21.1000	3,661,426	3,541,138	120,288
Intermediate School District	2.9589	1,346,148	1,312,436	33,712
Community College	2.9427	1,338,576	1,297,519	41,057
District Library	1.1590	527,288	508,004	19,284
BATA	0.3380	153,758	148,142	5,616
Township:				
Operating and Purchase of Development Rights	2.5566	1,163,478	1,120,656	42,822
Fire Protection	(2) 1.0000	448,576	433,127	15,449
Special Assessments		39,075	32,678	6,397
Sewer and Water Usage		<u>3,579</u>	<u>3,579</u>	<u>-</u>
Total		<u>\$ 14,247,691</u>	<u>\$ 13,806,837</u>	<u>\$ 440,854</u>
Percent of Levy Collected		96.91%		

(1) Includes Commission on Aging (.4955 mill) and Medical Care Facility (.6725 mill) voted levy.

(2) Levied on real property only.

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Peninsula Township  
Schedule of Expenditures of Federal Awards  
For the Year Ended March 31, 2006

Schedule 16

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture: Farm and Ranch Lands Protection Program	10.913	\$ 800,250
Election Assistance Commission Help America Vote Program	90.401	<u>14,264</u>
Total Expenditures of Federal Awards		<u>\$ 814,514</u>

See accompanying note to schedule of expenditures of federal awards.

# **Tobin & Co.**

Peninsula Township  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended March 31, 2006

Schedule 17

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Peninsula Township and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# **Tobin & Co.**

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Township Board  
Peninsula Township  
Grand Traverse County  
Traverse City, Michigan 49686

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peninsula Township as of and for the year ended March 31, 2006, which collectively comprise Peninsula Township's basic financial statements and have issued our report thereon dated September 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

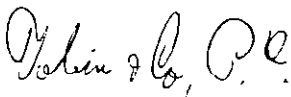
In planning and performing our audit, we considered Peninsula Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Peninsula Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We note certain other matters that we reported to management of Peninsula Township in a separate letter dated September 18, 2006.

This report is intended solely for the information and use of the management of the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Tobin & Co., P.C.  
September 18, 2006

# **Tobin & Co.**

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Township Board  
Peninsula Township  
Grand Traverse County  
Traverse City, Michigan 49686

We have audited the compliance of Peninsula Township with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 compliance supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. Peninsula Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Peninsula Township's management. Our responsibility is to express an opinion on Peninsula Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Peninsula Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Peninsula Township's compliance with those requirements.

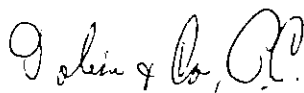
In our opinion, Peninsula Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

### **Internal Control Over Compliance**

The management of Peninsula Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Peninsula Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Tobin & Co., P.C.  
September 18, 2006

# **Tobin & Co.**

## **PENINSULA TOWNSHIP SCHEDULE OF FINDINGS AND QUESTIONS COSTS YEAR ENDED MARCH 31, 2006**

### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Peninsula Township.
2. No instances of noncompliance material to the financial statements of Peninsula Township, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for Peninsula Township expresses an unqualified opinion on all major federal programs.
4. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
5. The programs tested as major programs included U.S. Department of Agriculture Farm and Ranch Lands Protection Program, Federal CFDA Number 10.913.
6. The threshold used for distinguishing between Type A and B programs was \$300,000.